

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01

IGA-02 /077 W

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O R 271345Z FEB 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4239

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 3 BRASILIA 1784

PASS TREASURY FOR BILL MCFADDEN

E.O.11652: N/A

TAGS: EFIN, BR

SUBJECT: BRAZIL'S BALANCE OF PAYMENTS OUTLOOK FOR 1976

1. SUMMARY. EMBASSY'S ASSESSMENT OF BRAZIL'S BALANCE OF PAYMENTS OUTLOOK FOR 1976 INDICATES THAT, WHILE THE FOREIGN FINANCIAL GAP IS EXPECTED TO NARROW SOMEWHAT FORM THE 1974/75 HIGHS, THE TOTAL AMOUNT OF FOREIGN FINANCING REQUIRED CONTINUES TO BE HIGH. OUR FORECASTS SHOW A FOREIGN FINANCIAL GAP OF \$8.1 BILLION DOWN FROM \$9.0 BILLION IN 1975), CONSISTING OF A TRADE DEFICIT OF \$2.0 BILLION (\$3.5 BILLION IN 1975), A NEGATIVE SERVICES ACCOUNT OF \$3.5 BILLION (\$3.4 BILLION IN 1975), AND TOTAL FOREIGN DEBT REPAYMENTS OF \$2.6 BILLION (\$2.1 BILLION IN 1975). TO FINANCE THIS GAP, WE BELIEVE BRAZIL CAN PROBABLY DRAW ON ITS OFFICIAL RESERVE HOLDINGS BY ANOTHER \$1.0 BILLION WITHOUT UNDULY
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DAMAGING ITS CREDIT WORTHINESS. THE BALANCE WOULD

HAVE TO COME FROM DIRECT INVESTMENT INFLOWS (\$800 MILLION), IMPORT FINANCING (\$2.7 BILLION) AND GROSS FINANCIAL CREDITS, THE AILING FACTOR IN THE CAPITAL ACCOUNT, FALL SHORT OF THE PROJECTED LEVEL BY A SIGNIFICANT AMOUNT, MONETARY AUTHORITIES WILL BE FACED WITH THE FOLLOWING OPTIONS, IN ADDITION TO MEASURES ALREADY IN FORCE: A SPEEDIER DEVALUATION OF THE CURZEIRO, RECOURSE TO IMF FUNDS, REDUCTION OF TERMS ON FINANCIAL CREDITS, AND POSSIBLE OFFICIAL BILATERAL ASSISTANCE. THE BALANCE OF PAYMENTS CONTINUE TO BE THE MAJOR CONSTRAINT ON ECONOMIC POLICY AND THE CONTAINMENT OF THE EXTERNAL DEFICIT IS THE MAIN GOAL OF POLICY-MAKERS IN 1976.

END SUMMARY.

2. OUR 1976 BALANCE OF PAYMENTS PROJECTIONS ARE COMPARED BELOW WITH THE ESTIMATED 1975 RESULTS AND THE 1974 FINAL FIGURES:

BRAZIL'S BALANCE OF PAYMENTS (\$ MILLIONS)				
	1974	1975	1976	
EXPORTS (FOB)		7951	8655	9000
IMPORTS (FOB)		-12635	-12169	11000
TRADE BALANCE		-4684	-3514	-2000
SERVICES (NET)		-2463	-3400	-3500
TRAVEL		(-247)	(-250)	(-250)
FREIGHT		(-312)	(-210)	(-200)
INTEREST		(-637)	(-1500)	(-1800)
PROFITS & DIVIDENDS		(-248)	(-250)	(-250)
OTHERS		(-1019)	(-1190)	(-1000)
CURRENT ACCT.				
BALANCE		-7147	-6914	-5500
DEBT AMORTIZATION (MEDIUM AND LONG TERM)		-1940	-2100	-2600
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FINANCIAL GAP	-9087	-9014	-8100
FINANCED BY:			
DIRECT INVEST:	887	830	800
IMPORT FINANCING (INCL. IBRD, IDB AND EXIMBANK)	1900	2000	2700

FINANCIAL CREDITS 4900 4600 3600
OTHERS (INCL.
ERRORS AND OMISSIONS) 254 35 -

RESERVES DRAWDOWN 1/ 1146 1249 1000

1/ EXCLUDING COMMERCIAL BANKS' FOREIGN ASSET POSITION
WHICH IS PICKED UP IN "OTHERS" CAPITAL ENTRY.

3. EXPORTS: EXPORTS ARE THE KEY VARIABLE TO
WATCH AS 1976 UNFOLDS. WHILE THE AUTHORITIES
HAVE CONSIDERABLE CONTROLS ON IMPORTS, AND ARE
THUS ABLE TO ADJUST THEIR LEVELS AS REQUIRED,
EXPORT TRENDS ARE, IN GENERAL, AFFECTED BY FACTORS
BEYOND OFFICIAL INFLUENCE. BRAZIL IS COUNTING ON
A PICK UP IN WORLD ECONOMIC ACTIVITY TO BOOST
ITS EXPORTS. LAST YEAR, WHILE WORLD TRADE DECLINED,
BRAZILIAN EXPORTS ROSE BY 8.9 PERCENT, INDICATING
THE CONTINUED STRENGTH OF BRAZILIAN EXPORTS. FOUR MAJOR
EXPORT ITEMS (SUGAR, SOYBEANS, COFFEE AND IRON ORE).
WHICH LAST YEAR ACCOUNTED FOR ABOUT HALF OF TOTAL
EXPORTS AND WHOSE PRICE BEHAVIOR (EXCEPT FOR
COFFEE) IS VERY DIFFICULT TO PREDICT, WILL BE CRUCIAL
TO BRAZIL'S EXPORT PERFORMANCE THIS YEAR. AS
INDICATED IN SEPTEL, WE PROJECT THAT
TOTAL EXPORTS IN 1976 WILL NOT SHOW MORE THAN A 5
PERCENT INCREASE OVER 1975. OUR BEST ESTIMATE IS THAT
THEY WILL REACH \$9.0 BILLION.

4. WE EXPECT THAT TOTAL RECEIPTS FROM THE FOUR MAJOR
EXPORT PRODUCTS WILL SHOW LITTLE CHANGE FROM 1975,
WITH THE INCREASE IN COFFEE RECEIPTS OFFSETTING THE
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LOSS FROM SUGAR AND OTHER PRODUCTS. OUR ASSESSMENT OF THE BEHAVIOR OF
THESE FOUR ITEMS IS AS FOLLOWS:

A. SUGAR: WE EXPECT EARNINGS TO DROP TO \$500
MILLION FROM \$974 MILLION, BOTH BECAUSE OF A
SUPPLY SHORTAGE AND LOWER PRICES.

B. ON SOYBEAN AND SOYBEAN PRODUCTS, WE ANTICIPATE
NO IMPROVEMENT FROM THE \$1.3 BILLION LEVEL OF LAST
YEAR. THE BASIS UNKNOWN FACTOR SURROUNDING THIS PRODUCT IS THE
WORLD PRICE: SUPPLY IS AMPLE AS CURRENT HARVEST FORECASTS
INDICATE GOOD CROPS IN ADDITION TO A HIGH CARRY-OVER FROM
LAST YEAR.

C. COFFEE IS THE ONE PRODUCT ON WHICH THERE SEEMS
TO BE A CONSENSUS FOR A SUBSTANTIAL INCREASE IN TOTAL
EARNINGS IN 1976. THIS IS ATTRIBUTABLE TO
HIGHER PRICES. THE DEVASTATING JULY 1975 FROST HAS

REDUCED BRAZIL'S EXPORTABLE SURPLUS. WE FORECAST
COFFEE EXPORTS AT \$1.5 BILLION, UP FROM \$932 MILLION
IN 1975.

D. IRON ORE, WHICH IN RECENT YEARS HAS BECOME AN
INCREASINGLY IMPORTANT EXCHANGE EARNER, SHOULD TOTAL \$950
MILLION TO \$1.0 BILLION, AS COMPARED TO \$909 MILLION IN 1975.

5. ASSUMING OTHER BASIC PRODUCTS, AS A GROUP, SHOW
NO IMPROVEMENT OVER THE \$1.3 BILLION OF 1975, (WE
EXPECT THE PROJECTED DROP IN COTTON EXPORTS TO BE
OFFSET BY THE INCREASED EARNINGS OF OTHER PRODUCTS),
THE ONLY HOPE FOR INCREASING TOTAL EXPORTS IN 1976
IS WITH MANUFACTURED AND SEMI-MANUFACTURED PRODUCTS.
WE BELIEVE THAT A 10 PERCENT INCREASE IN THESE
PRODUCTS IS A REASONABLE ASSUMPTION, ESPECIALLY
SINCE DURING 1975 -- A YEAR OF DECREASING WORLD
TRADE -- THESE EXPORTS INCREASED BY ROUGHLY SAME AMOUNT.

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ACTION EB-07

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PASS TREASURY FOR BILL MCFADDEN

6. THE BREAKDOWN OF OUR 1976 EXPORT FORECAST IS
AS FOLLOWS (IN US\$ MILLIONS);

	1975 -----	1976 -----
SUGAR	974	500
SOYBEANS AND PRODUCTS		1300 1000-1300
COFFEE (INCL. SOLUBLE)	932	1500
IRON ORE	908	950-1000
	-----	-----
SUB-TOTAL	4114	3950-4300
OTHER BASIC PRODUCTS	1287	1300
MANUFACTURES AND SEMI-		
MANUFACTURES	3254	3600

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TOTAL	8655	8850-9200
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7. IMPORTS: THE BASIC THRUST OF BRAZIL'S CURRENT
BALANCE OF PAYMENTS STRATEGY IS CONROLLING IMPORTS,
A TARGET BEING AIMED AT BY BOTH A LOW GROWTH RATE
AND VARIOUS DIRECT CONTROLS. AFTER SUBSTANTIAL
INCREASES IN TARIFFS ON THE BULK OF IMPORTED ITEMS,

THE IMPOSITION OF A 360-DAY PRIOR DEPOSIT REQUIREMENT,
AND A DECREED 25 PERCENT DROP IN IMPORTS BY
THE PUBLIC SECTOR, THE GOB RECENTLY SUSPENDED FOR
SIX MONTHS THE ISSUANCE OF IMPORT LICENSES FOR A
NUMBER OF CONSUMER GOODS. WHILE THE IMPACT OF THESE
MEASURES IS DIFFICULT TO QUANTIFY, WE BELIEVE THAT
THE CURRENT IMPORT PROGRAM PERMITS A DROP IN IMPORTS
DURING 1976. THE OBVIOUS QUESTION IS AT WHAT COST
TO ECONOMIC GROWTH. THE ANSWER, HOWEVER, IS VERY
DIFFICULT TO FORMULATE WITH ANY ACCURACY BOTH
BECAUSE SOME OF THESE RESTRICTIONS HAVE ONLY BEEN
IN EFFECT FOR A SHORT WHILE AND BECAUSE OF THE UNAVAILABILITY
OF DATA ON CURRENT INVENTORIES. A VERY
PRELIMINARY, AND HIGHLY JUDGMENTAL, FORECAST IS THAT
A REDUCTION OF ABOUT \$1.1 BILLION IN IMPORTS (BRINGING
IMPORTS DOWN TO \$11 BILLION) IS POSSIBLE
AND COMPATIBLE WITH A POSITIVE GROWTH RATE ON THE
ORDER OF 3.0 PERCENT (4.2 PERCENT IN 1975). WE BASE
OUR PRELIMINARY CONCLUSIONS ON THE FOLLOWING FACTORS:
(A) WE ANTICIPATE THAT ABOUT \$200 MILLION CAN BE
SAVED ON CONSUMER GOODS, AS A RESULT OF THE SEVERE
RESTRICTIONS -- INCLUDING THE SUSPENSION OF IMPORT
LICENSES -- IMPOSED ON THESE PRODUCTS. SUCH A

REDUCTION WOULD HAVE LITTLE, IF ANY, IMPACT ON GROWTH:

(B) GOB OFFICIALS BELIEVE THAT THEY CAN SAVE UP TO \$500 MILLION ON IMPORTS OF STEEL WITHOUT AFFECTING GROWTH. THEY ANTICIPATE THAT SUFFICIENT NEW STEEL CAPACITY IS COMING ON STREAM DURING 1976 TO PERMIT THIS TO HAPPEN.

(C) THE REMAINING \$400 MILLION OF THE \$1.1 BILLION REDUCTION WOULD HAVE TO COME FROM RAW MATERIAL AND CAPITAL GOODS IMPORTS. CUTBACKS IN THESE TWO ITEMS WOULD VERY DEFINITELY TEND TO AFFECT LIMITED OFFICIAL USE

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GROWTH ADVERSELY. HOWEVER, INVENTORY LIQUIDATION AND SOME IMPORT SUBSTITUTION WOULD OFFSET PART OF THE IMPACT: (UNFORTUNATELY, BRAZIL DOES NOT COMPILE INVENTORY DATA WHICH WOULD PERMIT A MORE QUANTITATIVE JUDGEMENT. WE EXPECT PETROLEUM IMPORTS TO SHOW A SMALL INCREASE IN 1976 OVER 1975, ON THE ORDER OF THE ONE EXPERIENCED IN 1975 (\$ PERCENT).

8. OUR IMPORT FORECAST IS AS FOLLOWS:

	1975	1976
	(\$ MILLIONS)	
CONSUMER GOODS	828	600
RAW MATERIAL (INCL STEEL)	4501	3900
CAPITAL GOODS	3932	3500
PETROLEUM	2908	3000
TOTAL	12,169	11,000

9. TRADE AND CURRENT ACCOUNT: ASSUMING OUR TRADE PROJECTIONS HOLD, THE TRADE DEFICIT SHOULD DROP DURING 1976 BY \$1.5 BILLION, FROM \$3.5 BILLION TO \$2.0 BILLION. THE SERVICES ACCOUNT, WHICH IS TRADITIONALLY IN DEFICIT, IS ESTIMATED TO REGISTER A BALANCE OF 3.5 BILLION, WITH THE INCREASED INTEREST PAYMENTS ON THE FOREIGN DEBT (\$300 MILLION) OFFSETTING SOME OF THE DECLINES IN THE OTHER ENTRIES CONNECTED WITH THE DROP IN IMPORTS. THE CURRENT ACCOUNT DEFICIT IS, THEREFORE, EXPECTED TO BE IN DEFICIT BY \$5.5 BILLION AS AGAINST \$6.9 BILLION LAST YEAR.

10. TOTAL FINANCING GAP: IN ADDITION TO FINANCING THIS \$5.5 BILLION CURRENT ACCOUNT DEFICIT, BRAZIL WILL HAVE TO MAKE REPAYMENTS AMOUNTING TO ROUGHLY \$2.6 BILLION ON ITS FOREIGN DEBT IN 1976. AS A RESULT, THE TOTAL FINANCING GAP (CURRENT ACCOUNT DEFICIT PLUS DEBT REPAYMENTS), WHICH HAS TO BE CLOSED WITH FOREIGN BORROWING AND POSSIBLE RESERVE

DRAWDOWNS, IS FORECAST AT \$8.1 BILLION -- DOWN FROM \$9.0 BILLION OF LAST YEAR.

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11. AVAILABLE FINANCING: THE SOURCES OF FINANCING WHICH CAN BE PROJECTED WITH ANY DEGREE OF CONFIDENCE ARE: FOREIGN DIRECT INVESTMENT OF ABOUT \$800 MILLION, AND IMPORT FINANCING (INCLUDING DISBURSEMENT FROM THE IBRD, IDB, EXIMBANK, AND OTHER BILATERAL CREDIT INSTITUTIONS) OF ABOUT \$2.7 BILLION. AN ADDITIONAL \$1.0 BILLION CAN PROBABLY BE OBTAINED FROM OFFICIAL RESERVES SINCE THE AUTHORITIES APPARENTLY BELIEVE THAT THEY CAN AGAIN REDUCE RESERVES, IN A DIFFICULT BALANCE OF PAYMENTS YEAR, WITHOUT DAMAGING THEIR CREDIT STANDING. UNDER THESE ASSUMPTIONS, THERE REMAINS A BALANCE OF \$3.6 BILLION TO BE FINANCED BY FINANCIAL CREDITS (BANK LOANS). WHILE THIS LATTER FIGURE APPEARS QUITE LARGE -- PARTICULARLY IN LIGHT OF A FOREIGN DEBT OUTSTANDING AMOUNTING TO \$22 BILLION AT THE END OF 1975 -- IN FACT IT MAY BE QUITE LOW BECAUSE SOME OF THESE REPAYMENTS ARE AUTOMATICALLY RE-LENT TO BRAZIL. OF THE \$2.6 BILLION FOREIGN DEBT REPAYMENTS TO BE MADE IN 1976, ABOUT \$1.6 BILLION REPRESENTS REPAYMENTS OF OUTSTANDING FINANCIAL CREDITS. SINCE A SUBSTANTIAL PORTION OF THESE REPAYMENTS ARE ROLLED-OVER, I.E., FOREIGN BANKS OPERATING IN BRAZIL NORMALLY RELEND THE AMOUNTS REPAID, NEW OR ADDITIONAL BANK LOANS REQUIRED IN 1976 ARE CONSIDERABLY LESS THAN \$3.6 BILLION, AND MAY BE AS LOW AS \$2.0 BILLION IF THERE IS A 100 PERCENT ROLL-OVER. (THE COMPARABLE NET FIGURE FOR 1975 WAS \$3.3 BILLION). BRAZILIAN MONETARY OFFICIALS MAINTAIN THAT THEY CAN OBTAIN FROM THE PRIVATE CAPITAL MARKETS AT LEAST 2.0 BILLION OF NEW FINANCING DURING 1976. BECAUSE OF THE MANY IMPOUNDABLES AFFECTING BRAZIL'S ACCESS TO THE PRIVATE CAPITAL MARKET (INCLUDING ITS ALREADY HIGH FOREIGN DEBT OUTSTANDING, AND CAPITAL RATIO PROBLEMS FACING A NUMBER OF US BANKS), IT IS DIFFICULT TO PASS JUDGMENT ON WHETHER THESE EXPECTATIONS OF BRAZILIAN MONETARY OFFICIALS ARE REASONABLE. HOWEVER, GIVEN BRAZIL'S RECORD OF PAST BORROWING, IT IS NOT UNLIKELY IT COULD CONTRACT AN ADDITIONAL \$2.0 BILLION. IN FACT, THE STATE OF SAO PAULO

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RECENTLY RECEIVED \$300 MILLION FROM A CONSORTIUM OF INTERNATIONAL BANKS. FURTHERMORE, AS LONG AS BRAZIL CAN DEMONSTRATE PROGRESS ON NARROWING ITS TRADE DEFICIT AND REDUCE THE ANNUAL INCREMENTS TO ITS FOREIGN DEBT, IT WILL PROBABLY BE ABLE TO MAINTAIN FOREIGN INVESTORS' CONFIDENCE. IN ADDITION, IT SHOULD BE NOTED THAT REPAYMENTS ON BRAZIL'S FOREIGN DEBT ARE EVENLY SPREAD OUT AND THAT NO "CRUNCH" IS EXPECTED IN THE IMMEDIATE FUTURE UNLESS BRAZIL'S EXPORT PERFORMANCE FAILS TO MEET REASONABLE EXPECTATIONS. ALSO, IT SHOULD BE POINTED OUT THAT BRAZIL'S DEBT DATA INCLUDE BOTH PUBLIC AND ALL PRIVATE DEBT AND THIS PLACES BRAZIL'S DEBT FIGURES IN AN UNFAVORABLE LIGHT WHEN COMPARED WITH DATA FROM OTHER LDC'S.

12. OPTIONS: SHOULD THE ASSUMPTIONS UNDER WHICH THE ABOVE FORECAST IS BASED FAIL TO MATERIALIZE, THE AUTHORITIES ARE FACED WITH THE FOLLOWING SET OF OPTIONS:

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ACTION EB-07

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O R 271345Z FEB 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 4241

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 3 OF 3 BRASILIA 1784

PASS TREASURY FOR BILL MCFADDEN

A. EXCHANGE RATE: OUR EXPORT FORECAST IS PREDICATED ON THE MAINTENANCE OF THE CURRENT BRAZILIAN EXCHANGE RATE POLICY OF MINI-DEVALUATIONS WITH EACH PERIODIC CHANGE REFLECTING THE DIFFERENCE BETWEEN BRAZIL'S INTERNAL INFLATION AND INFLATION RATES IN ITS PRINCIPAL TRADING PARTNERS. WHILE THE EMBASSY HAS NOT DONE AN IN-DEPTH ANALYSIS OF BRAZIL'S COMPETITIVE POSITION, SOME OF THE AVAILABLE INDICATORS WOULD SEEM TO IMPLY THAT THE CRUZEIRO MAY BE OVERVALUED. FIRST, THE BRAZILIAN TERMS OF TRADE HAVE SHOWN A NOT INSIGNIFICANT DETERIORATION DURING THE LAST TWO YEARS, REGISTERING A DROP OF 10.6 PERCENT IN 1974 AND 6.7 PERCENT IN 1975. SECOND, WE HAVE READ RECENT REPORTS THAT SOYBEAN EXPORTERS CANNOT SELL THEIR PRODUCTS ABROAD AT A PROFIT AT CURRENT PRICES. SHOULD EXPORTS BEGIN TO LAG, AND THIS LAG IS ATTRIBUTABLE TO AN OVERVALUED EXCHANGE

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RATE, THEN THE QUESTION OF A PROPER EXCHANGE RATE WILL BECOME A CRUCIAL ONE. IF THE YET UNCONFIRMED JANUARY TRADE FIGURES ARE INDICATIVE OF THINGS TO COME (EXPORTS WERE REPORTEDLY DOWN BY ABOUT 30 PERCENT FROM JANUARY 1975, AMOUNTING TO ONLY ABOUT \$500 MILLION), THEN THE AUTHORITIES MAY HAVE TO FACE THE QUESTION OF THE EXCHANGE RATE SOONER THAN THEY WOULD LIKE. GIVEN THE AUTHORITIES' VERY DEFINITE PREFERENCE FOR A SYSTEM OF MINI-DEVALUATIONS SUCH AS STEP WOULD PROBABLY BE TAKEN THROUGH A PROCESS OF MORE FREQUENT OR LARGER PERIODIC CHANGES IN THE RATE RATHER THAN THROUGH A LARGE ONE-TIME ADJUSTMENT.

B. BORROWING FROM IMP: BRAZILIAN MONETARY OFFICIALS HAVE SO FAR ESCHEWED THE IMF -- THEY DID NOT DRAW ON THEIR OIL FACILITY RIGHTS -- FOR FEAR THAT SUCH A MOVE WOULD ADVERSELY AFFECT THEIR IMAGE IN THE EYES OF FOREIGN LENDERS (IT WOULD PUT BRAZIL IN THE CATEGORY OF THE U.K. AND ITALY, THEY ARGUE). HOWEVER, SHOULD THE PRIVATE MARKETS NOT PROVIDE THE LEVEL OF BORROWINGS BRAZIL REQUIRES THIS YEAR, THE IMF MAY HAVE TO BE CONSIDERED AS AN ALTERNATIVE-- NO MATTER HOW UNPALATABLE.

C. REDUCING TERMS ON FINANCIAL INFLOWS: ANOTHER OPTION AVAILABLE TO THE AUTHORITIES, PARTICULARLY IF THERE IS A SHORTFALL IN FINANCIAL FLOWS, IS TO REDUCE THE

TERMS ON FINANCIAL LOANS FROM THE CURRENT FIVE
YEAR LEVEL. SHORTER MATURITIES WOULD INCREASE
THE AVAILABILITY OF FOREIGN FUNDS. SOME BANKS NO
LONGER FIND FIVE-YEAR TERMS VERY ATTRACTIVE, BECAUSE
THEY ARE FULLY LOANED UP AT FIVE YEARS. THE BRAZILIANS WOULD,
HOWEVER, BE VERY RELUCTANT TO TAKE SUCH A STEP --
IT WOULD PROBABLY BE ONE OF TH LAST THINGS THEY
WOULD WISH TO DO -- BECAUSE OF ITS DETRIMENTAL IMPACT
ON THE DEBT PROFILE.

D. BILATERAL ASSISTANCE: THE BRAZILIANS MAY
APPROACH THE US OR SOME OTHE COUNTRY (JAPAN AND
GERMANY ARE GOOD POSSIBILITIES -- THE ARABS HAVE
NOT BEEN VERY RESPONSIVE TO BRAZILIAN OVERTURES)
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FOR SOME KIND OF OFFICIAL ASSISTANCE, PERHAPS
OTHTROUGH A STRAIGHT LOAN OR EVEN A SWAP
ARRANGEMENT. THEY MAY ALSO ATTEMTP, AS MINISTER OF
MINES AND ENERGY UEKI APPARENTLY DID DURIN HIS RECENT
TRIP TO JAPAN, TO PERSUADE RELUCTANT MULTINATIONAL
COMPANIES TO MOVE HAEAD WITH SOME OF TH LARGE INVESTMENT
PROJECTS CONTEMPLATED IN BRAZIL, PARTICULARLY IN THE
MINERAL FIELD.
CRIMMINS

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